

**GENERAL ANILINE &
FILM CORPORATION**

1946 ANNUAL REPORT

GENERAL ANILINE & FILM CORPORATION

DIRECTORS

GEORGE E. ALLEN,*

Associate, James S. Kemper & Company, Inc.

NEAL DOW BECKER,*

President, Intertype Corporation

COLVIN BROWN,

Publisher

GEORGE W. BURPEE,*

President, General Aniline & Film Corporation

WILLIAM H. COVERDALE,*

Senior Partner, Coverdale & Colpitts

T. COLBURN DAVIS,

Chairman, Missouri Pacific Railroad Company

HERBERT R. GALLAGHER

MATTHEW J. HICKEY, JR.,*

Senior Vice President, General Dyestuff Corporation

LOUIS JOHNSON,*

Senior Partner, Steptoe & Johnson

THOMAS A. O'HARA,*

Chairman, Colonial Ice Company,
President, Central States Edison, Inc.

FRED H. RHODES,

Director, School of Chemical Engineering,
Cornell University

ALBERT N. WILLIAMS,

President, Westinghouse Air Brake Company and
Union Switch and Signal Company

* Members of Executive Committee

PRINCIPAL OFFICERS

GEORGE W. BURPEE, President

W. I. McNEILL, Vice President and
Controller

E. ALLAN WILLIFORD, Vice President

DAVID B. DYCHE, Vice President and
Treasurer

JOE W. COFFMAN, Vice President

FRANCIS A. GIBBONS, Secretary

GENERAL COUNSEL

STEPTOE & JOHNSON, Washington, D. C.

EXECUTIVE OFFICES: 230 PARK AVENUE, NEW YORK 17, N. Y.

TRANSFER AGENTS:

CITY BANK FARMERS TRUST COMPANY

22 William Street, New York 15, N. Y.

CORPORATION TRUST COMPANY

15 Exchange Place, Jersey City 2, N. J.

REGISTRARS:

BANK OF THE MANHATTAN COMPANY

40 Wall Street, New York 15, N. Y.

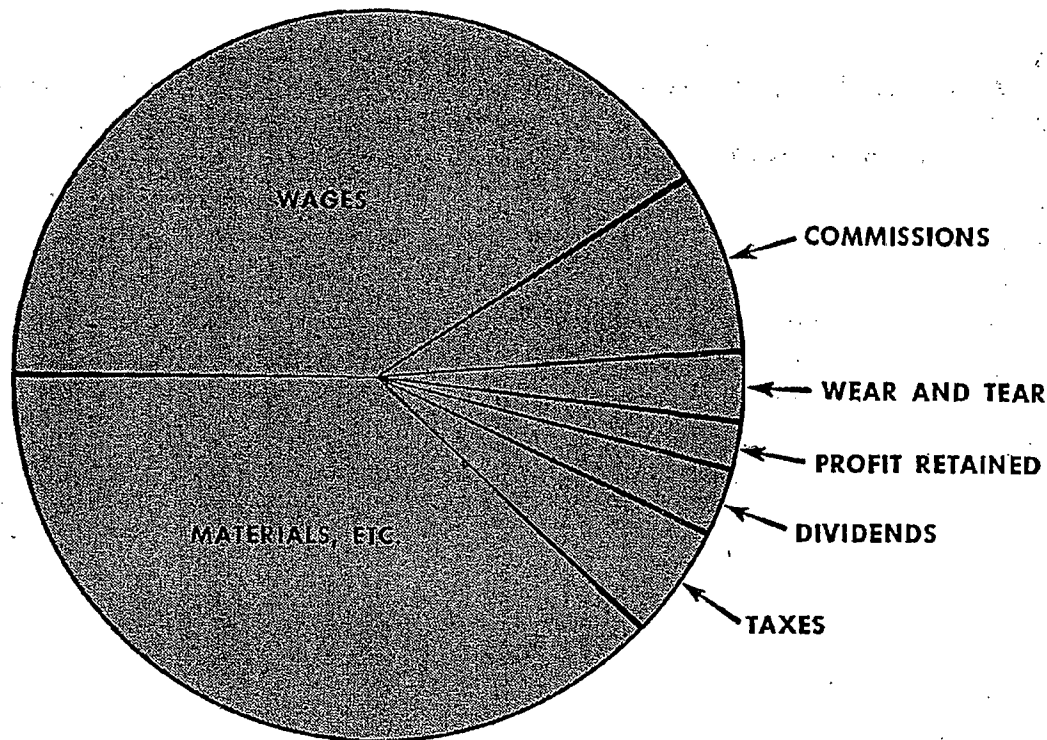
COMMERCIAL TRUST COMPANY OF NEW JERSEY

15 Exchange Place, Jersey City 2, N. J.

G291353

G-I_EPA0018800

**THE COMPANY'S INCOME IN 1946
AND HOW IT WAS USED**



| | | Per Dollar of Income |
|--|---------------------|-------------------------|
| Income | | |
| Value of products sold | \$64,190,000 | \$.98 |
| Interest, royalties, profit on sales of securities, etc..... | 1,170,000 | .02 |
| Total Income | \$65,360,000 | \$1.00 |
| Expense | | |
| Wages, salaries and cost of employee benefits required in making products sold | \$26,948,000 | \$.41 |
| Materials and other costs and expenses required in making products sold, including interest paid of \$184,000 | 24,789,000 | .38 |
| Commissions paid to others on products sold | 5,270,000 | .08 |
| Wear and tear on buildings, machinery and equipment | 2,074,000 | .03 |
| Federal, state and local taxes | 3,090,000 | .05 |
| Total Expense | \$62,171,000 | \$.95 |
| Profit | \$ 3,189,000 | \$.05 |
| Dividends paid out of profit (including \$1,679,000 in I. G. Chemie stock)..... | 1,832,000 | .03 |
| Profit retained for corporate purposes | \$ 1,357,000 | \$.02 |

(The above classification of expenses is necessarily approximate)

GENERAL ANILINE &

FILM CORPORATION

1946 ANNUAL REPORT

TO THE STOCKHOLDERS:

Operations in 1946 reflected the industrial transition from war to peacetime conditions and were characterized by a demand for the company's products generally in excess of the capacity of its equipment, by shortages of raw materials and by substantial increases in wages and other costs.

Sales in 1946 were \$64,189,548 as compared with \$68,658,864 in 1945. Net profit in 1946 amounted to \$3,188,895, or \$4.35 per share of Common A stock, as compared with \$3,901,349, or \$5.32 per share, in 1945.

Sales by quarters in 1946 and 1945 are compared below:

| | 1946 | 1945 |
|------------------|---------------------|----------------------|
| 1st quarter | \$14,936,000 | \$19,168,000 |
| 2nd quarter | 16,858,000 | 19,533,000 |
| 3rd quarter | 14,019,000 | 14,200,000 |
| 4th quarter | 18,377,000 | 15,758,000 |
| Total | <u>\$64,190,000</u> | <u>\$68,659,000*</u> |

* Includes termination claims of \$3,186,000 of which \$2,778,000 were recorded as sales in the 4th quarter of the year.

Net operating profit was \$4,937,592, or 7.7% of sales, as compared with \$10,591,942, or 15.4% of sales in 1945. A number of factors combined to produce this result. Wages, salaries and benefits to employees included in cost of goods sold and operating expenses were approximately \$26,900,000 in 1946 as compared

with approximately \$23,800,000 in 1945, an increase of \$3,100,000. The prices of many materials purchased, such as silver, paper and various chemicals, were higher than in 1945. Irregularity in the deliveries of many raw materials and inability to obtain others forced frequent changes in manufacturing schedules, thereby preventing full and economical utilization of equipment.

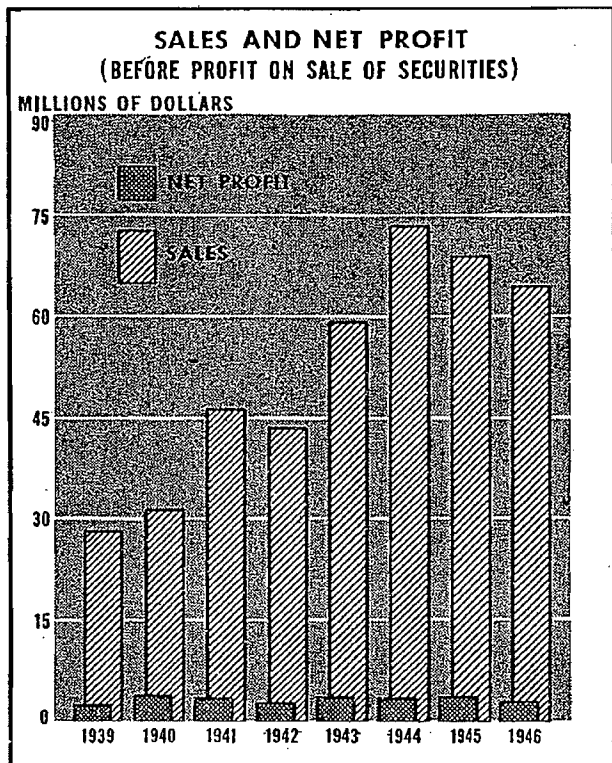
In addition, the sales organizations of Ansco and Ozalid were expanded during the year to bring personnel up to the requirements of peacetime markets. Increased amounts were spent on research in all divisions. These outlays should benefit future earnings.

Increases in costs forced moderate revisions of prices for many of the company's products. Such changes had little effect upon 1946 results, however, as they did not become effective until the closing months of the year and early in 1947.

Net profit of \$277,146 was derived from sales of U. S. Government bonds. The distribution to stockholders of common stock of Internationale Industrie- und Handelsbeteiligungen, A.G., formerly Internationale Gesellschaft fuer Chemische Unternehmungen, A.G. (I. G. Chemie), in lieu of cash in connection with the payment of dividends resulted in a book profit of \$42,392 which has been credited to appropriated earned surplus.

Net profit not including capital gains on sales of securities amounted to 4.5¢ on each dollar of sales as compared with 5.2¢ in 1945 and 4.9¢ in 1944.

A condensed statement of results of operations for the six years 1941-1946 will be found on page 12.



DIVIDENDS

During the year the company paid dividends of \$1,831,662, as follows:

| To Stockholders of Record | Date Paid | Amount Per Share | |
|------------------------------|------------|------------------|---------------|
| | | Common A | Common B |
| March 25 | April 22 | \$1.00 | \$.10 |
| June 25 | July 23 | 1.00 | .10 |
| September 23 | October 18 | .50 | .05 |
| | | <u>\$2.50</u> | <u>\$.25</u> |

The company continued the policy of giving stockholders the option of receiving shares of common stock of I. G. Chemie in lieu of the cash dividend to which they were entitled. Under these options the company distributed 14,541 shares of fully paid and 1,021 shares of 50% paid common stock of I. G. Chemie. Of total dividends of \$1,831,662, the amount of \$1,679,432 was paid in stock of I. G. Chemie.

WORKING CAPITAL

At the end of 1946 total current assets were \$48,921,675, including \$14,251,006 cash and government securities, as compared with current liabilities of \$8,551,505.

Accounts receivable declined \$931,221 during the year to \$7,518,720. The settlement of various claims arising out of war contracts cancelled during 1945 substantially reduced the amounts receivable from agencies of the U. S. Government.

Inventories of \$27,151,949 were \$4,099,238 greater than a year earlier partly because of higher costs, but primarily as a result of efforts to rebuild normal stocks in keeping with the peacetime pattern of demand. The nature of the company's business requires it to maintain substantial inventories in order properly to serve its customers. In relation to sales, inventories are no higher than the average of pre-war years.

Net current assets at the end of 1946 were \$40,370,170 as compared with \$42,159,840 a year earlier. The decrease of \$1,789,670 is explained below:

Source of Funds:

Operations—

| | |
|---|-------------|
| Net profit for the year before security profits | \$2,911,749 |
| Depreciation charges to profit and loss | 2,073,702 |

| | |
|---|-------------|
| Total funds provided by operations | \$4,985,451 |
| Profit from sale of marketable securities | 277,146 |

Total funds provided \$5,262,597

Application of Funds:

| | |
|---|-------------|
| Additions to plant and equipment less retirements and sales of \$260,627..... | \$6,227,455 |
|---|-------------|

Dividends—

| | |
|---|-------------|
| Dividends paid | \$1,831,662 |
| Less—I. G. Chemie stock taken by stockholders in lieu of cash | 1,679,432 |
| | 152,230 |

| | |
|--|---------|
| Reduction of long term debt | 500,000 |
| Investment in foreign subsidiary | 52,555 |
| Applied to other purposes (net) | 120,027 |

Total funds applied \$7,052,267

| | |
|---|--------------------|
| Excess of funds applied, resulting in decrease in net current assets of | <u>\$1,789,670</u> |
|---|--------------------|

PLANT AND EQUIPMENT

The company's investment in plant and equipment at the end of 1946 was as follows:

| | Cost | Reserves for Depreciation | Net |
|--|---------------------|---------------------------|---------------------|
| Land and land improvements | \$ 1,272,802 | \$ 91,948 | \$ 1,180,854 |
| Buildings and building equipment | 15,898,825 | 5,134,181 | 10,764,644 |
| Machinery, equipment, etc. | 30,469,830 | 12,814,796 | 17,655,034 |
| | <u>\$47,641,457</u> | <u>\$18,040,925</u> | <u>\$29,600,532</u> |

Gross additions to plant and equipment in 1946 amounted to \$6,488,082 as compared with \$3,330,828 in 1945 and \$2,587,848 in 1944. Because of shortages of labor and materials and delays in the delivery of equipment, some of which has been on order for many months, progress on new construction and improvements has been much slower than anticipated.

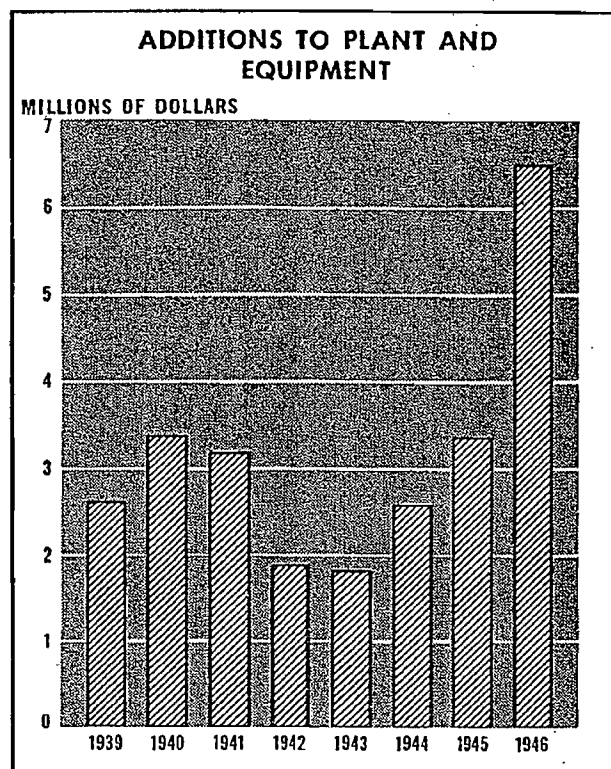
The extension within existing buildings of facilities for manufacturing intermediates at the Rensselaer plant has been largely completed. The dryroom building at the same plant has been finished although part of the equipment remains to be installed. It is expected that the new power plant at Ansco will begin delivery of power within three or four months. Improvements to the Ozalid plants at Detroit and Oakland have been substantially completed and construction of the new plant building at Johnson City is nearing the final stage. Deliveries of machinery and equipment for this building are far behind schedule.

In addition to the foregoing projects, which were mentioned in the 1945 Annual Report, Ansco has completed at Binghamton a new color film laboratory together with modern equipment for processing 35mm motion picture color film and has made extensive improvements to the camera plant in which a substantial amount of new equipment has been installed. A new pilot plant to manufacture semi-commercial quantities of dyestuffs and other products developed through research has been under construction at the Grasselli plant for some months. Numerous smaller projects designed to increase capacity or reduce costs have been completed or are in process at all plants.

To meet the requirements of both domestic and export markets and to strengthen the company's raw

material position, additional manufacturing facilities are contemplated.

Expenditures for maintenance and repairs amounted to approximately \$4,958,000, an increase of \$240,000 over 1945.



RESEARCH

Research expenditures in 1946 were approximately 4.9% of sales as against 4.2% in 1945. Research enters into all phases of our business and it is the opinion of management that a continued extensive research program is vital to the company's growth. In addition to the Central Research Laboratory at Easton, Pennsylvania, well equipped laboratories are maintained at each of the principal plants.

NEW PRODUCTS

During 1946 the General Aniline Works Division placed in production 69 new dyestuffs, textile auxiliaries and intermediates. Research has been completed on about 125 other new dyestuffs and auxiliaries which will be placed in production as soon as capacity and raw material supplies permit.

Among the new products outside the textile field offered by the General Aniline Works Division in 1946 were the Vinyl Ethers and Butynediol. These organic chemicals, not previously available in the United States, are promising key intermediates for a variety of products including drugs, plastics, plasticizers, adhesives and coating compositions. Several acetals, made from the Vinyl Ethers, were also announced, including Dimethyl Chloroacetal, which is useful as an intermediate for important pharmaceuticals. These new products are being supplied in limited quantities for research and development purposes pending completion of facilities for their manufacture.

Ansco redesigned and resumed manufacture of its pre-war cameras and in addition designed three entirely new cameras which will be placed in production in 1947. One of the latter is a high precision reflex of a type not made in the United States prior to the war. Study of the many factors involved in adapting Ansco color film for use in 35mm professional motion pictures was intensified during the year. This work includes research and development on color photography, sound recording and high speed developing and printing, much of which is done in cooperation with motion picture laboratories and studios. The first 35mm commercial motion picture on Ansco color film was released in the form of a short industrial film. The commercial motion picture industry provides a substantial film market in which Ansco has never been an important factor.

Late in the year Ozalid offered a smaller printing and developing machine of improved design called the Streamliner. This machine received a favorable reception and is expected to extend the market for Ozalid sensitized materials. Although the Ozalid process in the past has been used primarily by large industrial companies and blueprinters for the reproduction of engineering drawings, it is adaptable to many office procedures. The introduction of the Streamliner and the development of special sensitized materials should open this promising market to Ozalid products.

PATENTS AND PROCESSES

The status of the company's patent rights, described in the 1945 Annual Report, remains uncertain.

The Government has obtained in Germany—and is publishing—descriptions of processes and know-how used by the chemical industry in that country. This information includes many of the processes employed by the company and other processes which the company has been seeking to develop through research.

EXPORTS

The company and its sales agent for dyestuffs, General Dyestuff Corporation, have continued to develop foreign markets especially those in Central and South America. Exports in 1946, including sales of the company's Canadian subsidiary, amounted to approximately 13% of total sales. Exports were limited by the availability of raw materials, plant capacity and the necessity of protecting domestic customers.

INDUSTRIAL RELATIONS

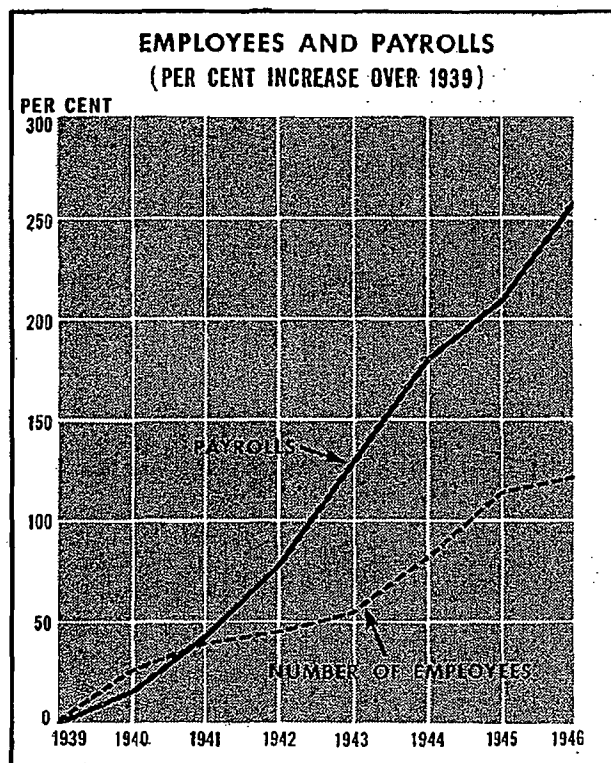
Since incorporation in 1929, the company has had no authorized strike although there have been several unauthorized work stoppages of short duration, two of which occurred in 1946. Otherwise, relations with employees were generally satisfactory during the year. The 1946 rate of labor turnover was again less than half that of the national average as reported by the National Industrial Conference Board. The absentee rate has also continued at a relatively low level.

The company's training program, which includes supervisory, on-the-job and apprentice instruction, was extended to all divisions during 1946.

An amended severance pay plan was inaugurated during the year under which all employees permanently laid off because of lack of work are compensated on a schedule based on length of service. In addition, the company makes available to employees group life insurance and a retirement plan at small cost to them and provides liberal sick benefits.

The total number of employees has increased substantially in recent years, largely because of reductions in the work week. At the end of January, 1947, the total number of employees was 9,181 as compared with 8,995 a year earlier and 7,642 at the end of January, 1945.

Of the 2,302 employees who entered the military services since October, 1940, 1,192 are now back and working for the company; in addition, 1,441 veterans who were not employees prior to entering the services are now employed. The 2,633 veterans of World War II constitute 28% of the total number of employees. Veterans are being trained under the so-called "G. I. Bill of Rights" in chemistry, accounting and trade practices.



STOCKHOLDERS

Title to all of the 2,050,000 outstanding shares of Common B stock and to 475,707 shares out of 527,663.9 outstanding shares of Common A stock is vested in the Attorney General of the United States.

The remaining 51,956.9 shares of Common A stock are registered in the names of 682 holders.

From April, 1942 to October 14, 1946, title to substantially the same number of shares now held by the Attorney General was vested in the Alien Property Custodian.

By Executive Order dated October 14, 1946, the President of the United States terminated the Office of Alien Property Custodian and transferred its functions to the Attorney General. On October 15th, the Attorney General created in the Department of Justice the Office of Alien Property to carry on the activities formerly conducted by the Office of Alien Property Custodian.

ACKNOWLEDGMENT

Since the transfer of the functions of the Office of Alien Property Custodian to the Department of Justice, Tom C. Clark, Attorney General, and Donald C. Cook, Director of the Office of Alien Property, have rendered the company valuable counsel and assistance.

The success of the company depends upon the skill and effort of each member of the organization. The directors extend their sincere thanks to the General Aniline men and women—more than 9,000 in all—who have contributed so much to the progress of the company in the last year.

By order of the Board of Directors,

George W. Purpess

President.

New York, N. Y.
March 20th, 1947.

GENERAL ANILINE & FILM CORP.
CONSOLIDATED

| | December 31 | |
|--|---------------------|---------------------|
| | 1946 | 1945 |
| ASSETS | | |
| Current Assets: | | |
| Cash | \$ 7,186,621 | \$ 5,858,738 |
| U. S. and Canadian government securities, at lower of cost or market | \$ 7,064,385 | \$17,922,508 |
| Receivables— | | |
| General Dyestuff Corporation (Note 1) | \$ 2,779,896 | \$ 1,781,413 |
| U. S. Government departments and agencies | 728,767 | 3,698,339 |
| Other | 4,182,857 | 3,142,264 |
| Less—Reserve for doubtful receivables | (172,800) | (172,075) |
| | \$ 7,518,720 | \$ 8,449,941 |
| Inventories (including \$2,169,853 in 1946 and \$2,414,712 in 1945 on consignment with General Dyestuff Corporation), priced at the lower of average cost or market— | | |
| Finished goods | \$ 8,075,962 | \$ 6,793,551 |
| Goods in process | 11,131,066 | 9,635,568 |
| Raw materials | 5,566,846 | 4,989,052 |
| Supplies, containers and goods in transit | 2,378,075 | 1,634,540 |
| | \$27,151,949 | \$23,052,711 |
| Total current assets | \$48,921,675 | \$55,283,898 |
| Investments: | | |
| Marketable securities, at the lower of cost or market | \$ 178,319 | \$ 178,319 |
| Investment in foreign subsidiary not consolidated, at cost | 52,555 | — |
| Investment in common stock of I. G. Chemie (Note 2) | 30,945 | 1,667,985 |
| | \$ 261,819 | \$ 1,846,304 |
| Fixed Assets, at cost: | | |
| Land and land improvements | \$ 1,272,802 | \$ 1,055,249 |
| Buildings and building equipment | 15,898,825 | 14,956,573 |
| Machinery, equipment, etc. | 30,469,830 | 26,079,405 |
| | \$47,641,457 | \$42,091,227 |
| Less—Reserves for depreciation (special obsolescence reserve of \$4,301,350 transferred to unappropriated earned surplus in 1946) | 18,040,925 | 20,945,798 |
| | \$29,600,532 | \$21,145,429 |
| Patents, Trade-marks and Formulas | \$ 1 | \$ 1 |
| Prepaid Expenses and Deferred Charges: | | |
| Prepaid insurance, taxes, etc. | \$ 358,850 | \$ 424,919 |
| Deferred engineering and tooling expense | 295,837 | 109,839 |
| | \$ 654,687 | \$ 534,758 |
| | \$79,438,714 | \$78,810,390 |

REFERENCE IS MADE TO THE ACCOMPANYING NOTES WHICH ARE

ION AND SUBSIDIARY COMPANIES
ALICE SHEETS

| LIABILITIES | December 31 | |
|---|---------------------|---------------------|
| | 1946 | 1945 |
| Current Liabilities: | | |
| Notes payable to banks | \$ 500,000 | \$ 500,000 |
| Accounts payable | 3,001,909 | 2,936,037 |
| Taxes withheld at source | 738,455 | 567,835 |
| Accrued taxes, wages, etc. | 1,251,185 | 1,324,233 |
| Provision for Federal income and excess profits taxes..... | 3,059,956 | 7,795,953 |
| Total current liabilities | \$ 8,551,505 | \$13,124,058 |
| Long Term Debt: | | |
| Notes payable to banks (interest 17/8% per annum; due serially to 1955)... | \$ 9,000,000 | \$ 9,500,000 |
| Reserves: | | |
| Contingencies | \$ 1,000,000 | \$ 1,000,000 |
| Workmen's compensation self-insurance, etc. | 466,537 | 466,537 |
| | \$ 1,466,537 | \$ 1,466,537 |
| Capital Stock and Surplus [Note 3]: | | |
| Capital stock— | | |
| Common A stock of no par value, stated at \$25.00 per share, authorized 3,000,000 shares, issued 529,701 shares | \$13,242,525 | \$13,242,525 |
| Common B stock of \$1.00 par value, authorized and issued 3,000,000 shares | 3,000,000 | 3,000,000 |
| Capital surplus | 12,902,432 | 12,902,432 |
| Earned surplus, per accompanying statement— | | |
| Unappropriated | 32,341,452 | 24,972,492 |
| Appropriated (Note 2) | — | 1,667,985 |
| | \$61,486,409 | \$55,785,434 |
| Deduct—Stock held in treasury— | | |
| Common A stock, 2,037.1 shares in 1946 and 2,036.02 in 1945, at cost..... | \$ 115,737 | \$ 115,639 |
| Common B stock, 950,000 shares, at par value of \$1.00 per share (cost \$1,900,000) | 950,000 | 950,000 |
| | \$ 1,065,737 | \$ 1,065,639 |
| Total capital stock and surplus | \$60,420,672 | \$54,719,795 |
| | \$79,438,714 | \$78,810,390 |

INTEGRAL PART OF THE ABOVE CONSOLIDATED BALANCE SHEETS.

GENERAL ANILINE & FILM CORPORATION
AND SUBSIDIARY COMPANIES

STATEMENTS OF CONSOLIDATED PROFIT AND LOSS

| | Year Ended December 31 | |
|---|------------------------|--------------|
| | 1946 | 1945 |
| Net Sales (Note 1) | \$64,189,548 | \$68,658,864 |
| Cost of Sales | 41,434,623 | 42,220,164 |
| Gross profit on sales | \$22,754,925 | \$26,438,700 |
| Selling, General and Administrative Expenses: | | |
| Commissions to General Dyestuff Corporation, sales agent for dyestuffs (Note 1) | \$ 5,189,928 | \$ 5,480,016 |
| Other selling, general and administrative expenses | 12,685,065 | 10,585,065 |
| | \$17,874,993 | \$16,065,081 |
| Operating profit before other operating income | \$ 4,879,932 | \$10,373,619 |
| Other Operating Income (Net) | 57,660 | 218,323 |
| Net operating profit | \$ 4,937,592 | \$10,591,942 |
| Other Income: | | |
| Interest on securities | \$ 187,751 | \$ 253,610 |
| Net profit on sales of securities | 277,146 | 321,809 |
| | \$ 464,897 | \$ 575,419 |
| Net operating profit and other income | \$ 5,402,489 | \$11,167,361 |
| Interest and Amortization on Long Term Debt | 183,594 | 689,560 |
| Net profit before provision for Federal income and excess profits taxes and special charges | \$ 5,218,895 | \$10,477,801 |
| Provision for Federal Income and Excess Profits Taxes and Special Charges: | | |
| Normal tax and surtax | \$ 2,030,000 | \$ 1,170,452 |
| Excess profits tax | — | 4,831,444 |
| Special provision for depreciation of emergency facilities (\$1,036,000), less prior years' tax credits resulting from accelerated amortization | — | 574,556 |
| | \$ 2,030,000 | \$ 6,576,452 |
| Net profit | \$ 3,188,895 | \$ 3,901,349 |

The profit of \$7,536,060 (after Federal taxes) on the sale of the Winthrop Chemical Company investment in 1945 was credited directly to unappropriated earned surplus.

Provision for depreciation charged to costs and expenses amounted to \$2,073,702 in 1946 and \$2,049,065 in 1945.

REFERENCE IS MADE TO THE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE ABOVE STATEMENTS.

**GENERAL ANILINE & FILM CORPORATION
AND SUBSIDIARY COMPANIES**

STATEMENT OF CONSOLIDATED EARNED SURPLUS

For the Year Ended December 31, 1946

UNAPPROPRIATED

| | | |
|--|-------------|-----------------------------|
| Balance December 31, 1945..... | | \$24,972,492 |
| Net profit for the year ended December 31, 1946..... | | 3,188,895 |
| Amount transferred from appropriated earned surplus in respect of 14,541 shares of fully paid and 1,021 shares of 50% paid stock of I. G. Chemie accepted in lieu of cash by certain stockholders of General Aniline & Film Corporation in payment of dividends..... | | 1,679,432 |
| Transfer of special obsolescence reserve upon completion of conversion to peacetime operations | | 4,301,350 |
| Transfer of balance from appropriated earned surplus..... | | 30,945 |
| | | <u>\$34,173,114</u> |
| Dividends paid: | | |
| Common A—\$2.50 per share..... | \$1,319,162 | |
| Common B—\$0.25 per share..... | 512,500 | 1,831,662 |
| | | <u> </u> |
| Balance December 31, 1946..... | | <u>\$32,341,452</u> |

APPROPRIATED

| | | |
|---|-------------|-----------------------------|
| Balance December 31, 1945..... | | \$ 1,667,985 |
| Excess of amount used for dividend purposes in respect of 14,541 shares of fully paid and 1,021 shares of 50% paid stock of I. G. Chemie over the carrying value which represents the quoted market value on Zurich, Switzerland exchange at December 31, 1940..... | | 42,392 |
| | | <u>\$ 1,710,377</u> |
| Deduct: | | |
| Amount transferred to unappropriated earned surplus in respect of 14,541 shares of fully paid and 1,021 shares of 50% paid stock of I. G. Chemie accepted in lieu of cash by certain stockholders of General Aniline & Film Corporation in payment of dividends | \$1,679,432 | |
| Transfer of balance to unappropriated earned surplus (Note 2)..... | 30,945 | 1,710,377 |
| | | <u> </u> |
| Balance December 31, 1946..... | | <u>\$ —</u> |

REFERENCE IS MADE TO THE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE ABOVE STATEMENT.

GENERAL ANILINE & FILM CORPORATION
AND SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements

For the Year Ended December 31, 1946

1. Distribution of Dyestuffs:

The dyestuffs and textile auxiliaries manufactured by the Company are, with some minor exceptions, sold exclusively by General Dyestuff Corporation under arrangements described in the Annual Report for 1942.

2. Investment in Internationale Industrie-und Handelsbeteiligungen A.G. (formerly known as I. G. Chemie):

During the years 1944 to 1946 inclusive, the majority of this stock was issued in payment of dividends in lieu of cash. On December 31, 1946, the Company owned 230 shares of fully paid and 118 shares of 50% paid Common Stock. Since the carrying value of the remaining stock is small in relation to total assets, the balance in the Appropriated Earned Surplus Account (established against the I. G. Chemie investment) was transferred to the Unappropriated Earned Surplus Account as of December 31, 1946.

3. Liquidation and Dividend Preferences:

The Certificate of Incorporation of the Company, as amended, provides that in the case of liquidation or dissolution of the Company, holders of Common A Stock shall first receive not in excess of \$75 per share of the assets available for distribution and thereafter shall participate in any remaining assets, share for share, with holders of the Common B Stock. The aggregate of the preference on liquidation or dissolution in respect of the 527,663.9 shares of Common A Stock outstanding is \$26,383,195 in excess of the aggregate stated value of such stock. In the opinion of counsel for the Company, there are no restrictions upon Surplus growing out of the fact that the amount to which the holders of the Common A Stock are entitled in liquidation exceeds the stated value thereof.

The Certificate of Incorporation also provides that "for each one dollar (\$1.00) or fraction thereof, of dividends, declared and paid on each share of Common A Stock, dividends of ten (10) cents or fraction thereof, shall be declared and paid on each share of Common B Stock, and no dividend shall be declared and paid on either Common A or Common B Stock, unless at the same time dividends as herein provided are declared and paid on both Common A and Common B Stock".

As of December 31, 1946, title to 475,707 shares of 527,663.9 outstanding shares of Common A Stock and all of the outstanding shares of Common B Stock of the Company was vested in the Attorney General of the United States.

4. Contingent Liabilities:

At December 31, 1946, there were certain civil lawsuits and claims pending against the Company, which, in the opinion of the management, are immaterial in relation to the total assets or operations of the companies. In addition, three indictments are still pending against the Company for alleged violation, prior to February 1942, of the Anti-Trust laws.

5. Patents:

Reference is made to the comments contained in the President's letter on page 4 regarding the Company's patents.


ARTHUR ANDERSEN & CO.

AUDITORS' REPORT

To the Board of Directors,
General Aniline & Film Corporation:

We have examined the consolidated balance sheet of General Aniline & Film Corporation (a Delaware Corporation) and subsidiary companies as of December 31, 1946, and the statements of consolidated profit and loss and earned surplus for the year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We had previously made a similar examination for the year ended December 31, 1945.

In our opinion, the accompanying consolidated balance sheet and related statements of consolidated profit and loss and earned surplus present fairly the position of the companies as of December 31, 1946 and the results of their operations for the year ended that date, and are in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



New York, N. Y.,
March 5, 1947.

GENERAL ANILINE & FILM CORPORATION AND SUBSIDIARY COMPANIES

RESULTS OF OPERATIONS

For the Six Years Ended December 31, 1946

(000 omitted)

| | 1946 | 1945 | 1944 | 1943 | 1942 | 1941 |
|---|----------|----------|----------|----------|----------|----------|
| Net sales | \$64,190 | \$68,659 | \$73,311 | \$59,233 | \$43,767 | \$46,135 |
| Net operating profit | \$ 4,938 | \$10,592 | \$15,928 | \$12,967 | \$ 8,869 | \$10,258 |
| Other income: | | | | | | |
| Dividends on Winthrop Chemical Company investment..... | \$ — | \$ — | \$ 500 | \$ 500 | \$ 500 | \$ 800 |
| Other dividends and interest on securities..... | 188 | 254 | 153 | 160 | 192 | 646 |
| Net profit on sales of securities | 277 | 321 | 1,221 | 472 | 412 | (6) |
| Adjustment of securities to lower of cost or market..... | — | — | — | — | (358) | (333) |
| | \$ 465 | \$ 575 | \$ 1,874 | \$ 1,132 | \$ 746 | \$ 1,107 |
| Net operating profit and other income..... | \$ 5,403 | \$11,167 | \$17,802 | \$14,099 | \$ 9,615 | \$11,365 |
| Interest and amortization on long term debt..... | 184 | 690 | 866 | 1,026 | 1,152 | 1,323 |
| Net profit before provision for Federal income and excess profits taxes and special charges..... | \$ 5,219 | \$10,477 | \$16,936 | \$13,073 | \$ 8,463 | \$10,042 |
| Provision for Federal income and excess profits taxes and special charges: | | | | | | |
| Normal tax and surtax..... | \$ 2,030 | \$ 1,170 | \$ 1,121 | \$ 1,138 | \$ 1,258 | \$ 1,599 |
| Excess profits tax..... | — | 4,831 | 11,002 | 7,871 | 4,182 | 4,229 |
| Provision for contingencies, etc. | — | — | — | — | — | 782 |
| Special provision for depreciation of emergency facilities (\$1,036), less prior years' tax credits resulting from accelerated amortization | — | 575 | — | — | — | — |
| | \$ 2,030 | \$ 6,576 | \$12,123 | \$ 9,009 | \$ 5,440 | \$ 6,610 |
| Net profit | \$ 3,189 | \$ 3,901 | \$ 4,813 | \$ 4,064 | \$ 3,023 | \$ 3,432 |
| Per share of Common A stock..... | \$4.35 | \$5.32 | \$6.57 | \$5.55 | \$4.13 | \$4.67 |
| Provision for depreciation charged to costs and expenses..... | \$ 2,074 | \$ 2,049 | \$ 1,879 | \$ 1,906 | \$ 1,656 | \$ 1,601 |

NOTES:

- (1) The profit of \$7,536[000] (after Federal taxes) on the sale of the Winthrop Chemical Company investment in 1945 was credited directly to unappropriated earned surplus. Dividends received, less foreign tax withheld and applicable Federal income tax, and write-downs and losses on the investment in common stock of I. G. Chemie have also been treated as earned surplus items.
- (2) Certain direct charges and credits reflected in the earned surplus accounts on the books have been restated in the above summary to the appropriate year, with a consequent change in the net profit as originally shown in the annual reports.

PLANTS AND OFFICES

Executive Offices

230 Park Avenue, New York 17, New York

Manufacturing Plants

General Aniline Works Division

Grasselli, New Jersey; Rensselaer, New York

Ansco Division

Binghamton, New York

Ozalid Division

Johnson City, New York; Detroit, Michigan; Oakland, California

Central Research Laboratory

Easton, Pennsylvania

Offices of General Aniline Works Division

435 Hudson Street, New York 14, New York

Offices of Ansco Division

Binghamton, New York; Boston, Massachusetts; Chicago, Illinois; Cincinnati, Ohio; Dallas, Texas; Los Angeles, California; New York, New York; San Francisco, California; Washington, D. C.; Toronto, Canada

Offices of Ozalid Division

Atlanta, Georgia; Buffalo, New York; Chicago, Illinois; Detroit, Michigan; Hollywood, California; Johnson City, New York; Los Angeles, California; New York, New York; Oakland, California

PRODUCTS

General Aniline Works Division

Dyestuffs and Pigments

(for textiles, paper, leather, furs, rubber, plastics, paints, inks and other materials)
Vat and Algosol
Azo (acid, basic, chrome, direct)
Triphenylmethanes (acid, basic)
Alizarines
Heliogen
Naphthols
Fast-color salts and bases
Rapidogen and rapid fast colors
Celliton and Cellitazol
Lake and sulphur colors
Azosol, nigrosines and sudans

Dyestuff Intermediates

Detergents

Textile Auxiliaries for

Wetting and cleansing
Mothproofing and fireproofing
Waterproofing
Dispersing and emulsifying
Leveling and developing
Fixing and stripping
Finishing

Mildew Preventives

Tanning Agents

Carbonyl Iron Powders

Iron Carbonyl

Acetylene Products

Vinyl ethers
Dimethyl chloroacetal
Koresin
Polelectron dielectrics

Orthner Compound

Ozalid Division

Ozalid Machines

Printmaster
Streamliner
Model "B"
• Ozacoupler
Microfilm duplicator

Ozalid Sensitized Materials

Papers, cloths, foils and films in black, blue, red and sepia lines, single or double coated
Dryphoto and Ozaplastic papers
Ozachrome films

AnSCO Division

Amateur Film, Black and White

Roll film
35mm. cartridge film
16mm. and 8mm. motion picture film

Professional Film, Black and White

Portrait film
Graphic arts film
Film packs
35mm. motion picture film

X-Ray Film

Industrial
Medical
Dental

Special Purpose Film

Aerial
Microcopying
Cirkut or panorama

Photographic Paper, Black and White

Contact
Projection
Proof
Reflex printing

AnSCO Color Products

16mm. motion picture film
Roll film
35mm. cartridge film
Cut sheet film
Printon paper
Color paper
Chemicals and sundry items

Amateur Cameras and Accessories

AnSCO reflex cameras
Speedex cameras
Clipper cameras
Pioneer cameras
Panda cameras
Cadet cameras
Amateur camera accessories

Professional Cameras and Accessories

Studio cameras and outfits
Commercial view cameras
Universal view cameras
Professional camera accessories

Densitometers

Photographic Chemicals

Template Emulsions

Darkroom Equipment and Supplies